

Approved \_\_\_\_\_

Date

3/3/89

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Representative Marvin Smith  
Vice Chairperson

at

9:00 a.m./~~p.m.~~ on March 1, 1989 in room 519-S of the Capitol.

All members were present except:  
Representative Roe, excused

Committee staff present:

Tom Severn, Research  
Chris Courtwright, Research  
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Representative Baker  
Senator Francisco  
Representative Sawyer  
Janice Marcum - Division of Property Valuation  
Robert Burdette - Contractor  
Del Wharton - Real Estate Broker  
Jim Minson - Real Estate Broker  
Gary Post - Kansas County Appraisers Association  
Gerhard Metz - KCCI  
Karen France - Kansas Association of Realtors  
Ritchie Hanley - Restaurant owner  
Scott Sewell - Manhattan Chamber of Commerce  
Lloyd Lundy - Hays motel owner  
John Hendricks - Controller for Sirloin Stockade Restaurants  
Eldon Thorman - President, Thorman and Wright Motel Corporation  
Roger Grund - Homeowners Trust - Wichita

A motion was made by Representative Aylward and seconded by Representative Shore to introduce a bill on resale of parts from bankrupt farm equipment dealers and manufacturers. The motion carried.

Senator Francisco thanked the Taxation Committee for introducing HB 2473 and for holding this hearing. He is concerned for small business owners.

Representative Baker testified in support of HB 2473, stating that it is designed to provide relief to the small commercial property owner that has been adversely impacted as a result of the implementation of classification. (Attachment 1)

Representative Sawyer testified in support of HB 2319 & HB 2473, but has three major concerns with HB 2473. (Attachment 2)

Janice Marcum discussed the fiscal notes on HB 2319 and HB 2473. She stated that it was difficult to arrive at figures due to limited information on mill levies and property values at this time. There would be an estimated \$81.5 million fiscal impact on HB 2319 and estimated \$40 million for HB 2473.

Robert Burdette testified in support of HB 2473, stating that many of the more expensive homes in the state are undervalued by twenty-five to fifty percent. (Attachment 3)

Del Wharton testified in opposition to HB 2319 and HB 2473 and in support of HCR 5013, stating that passage of HCR 5013 would give more time for a better chance at a just and fair tax. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation

room 519-S, Statehouse, at 9:00 a.m./~~p.m.~~ on March 1, 1989.

Jim Minson testified on reappraisal and classification, stating that it will place more of a burden on the small business owner and commercial property owner who are already bogged down with red tape and taxes. (Attachment 5)

Gary Post testified that either HB 2319 or HB 2473 would provide the people who by and large tend to be the movers and shakers in the community with a safety net against the unknown. (Attachment 6)

Gerhard Metz testified that if the committee finds it necessary to address problems in commercial property taxes that it adopt HB 2473 rather than HB 2319. (Attachment 7)

Karen France testified that she supports the efforts of the Taxation Committee, but hopes that HCR 5013 will be heard. (Attachment 8)

Ritchie Hanley testified that he finds it hard to believe that as poor as the economy is, some businesses in his area will be forced to close because of the extra tax burden. (Attachment 9)

Scott Sewell testified that the Chamber of Commerce supports HCR 5013, and that appraisals in Manhattan are not consistent.

Lloyd Lundy testified that the taxes for motels in his area are increased an average of 2½ percent which will put out of business many small businesses.

John Hendricks addressed the pros and cons of HB 2319 and HB 2473 stating that neither of these bills will provide the solution which is necessary. (Attachment 10)

Eldon Thorman testified in opposition to HB 2319 and HB 2473, stating that the circuit breaker concepts which are presented in these two bills, while well intended, will not help businesses like his. (Attachment 11)

Roger Grund testified that the appraisals in Wichita are inconsistent and he requested that taxes not be raised for the business community.

Written testimony was provided by Representative Sader showing assessed values for some properties in Johnson County. (Attachment 12)

Written testimony was provided by Roland Smith, Executive Director of the Wichita Independent Business Association. He requested consideration on amending either HB 2319 or HB 2473 to allow for a vote on delaying the implementation of reappraisal and classification for two years. (Attachment 13)

The meeting adjourned.

ELIZABETH BAKER  
REPRESENTATIVE, EIGHTY-SECOND DISTRICT  
SEDGWICK COUNTY  
601 HONEYBROOK LANE  
DERBY, KANSAS 67037



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
CHAIRMAN: ECONOMIC DEVELOPMENT  
MEMBER: ELECTIONS  
JOINT COMMITTEE ON  
ECONOMIC DEVELOPMENT  
LOCAL GOVERNMENT

March 1, 1989

TO: House Committee on Assessment and Taxation  
519-S

FROM: Representative Elizabeth Baker

RE: H.B. 2473

H.B. 2473 is designed to provide relief to the small commercial property owner that has been adversely impacted as a result of the implementation of classification. Kansas is predominantly small business. Statistically, 76% of all Kansas businesses are designated as small business. Small business being defined as those with employment size 1-9 of which in Kansas there were 49,982 in 1986.

Senator Francisco's and my communities are typical of other small communities in the state. Our small businesses struggle to compete with the larger metropolitan area and their struggle will become grave with the implementation of classification. In addition, the Derby school district includes the Boeing Company and the exemption of manufacturer's inventory only exacerbates the problem.

We cannot afford to impair the health of our state's small businesses. It is vital that we listen to their concerns and search for a solution. Although H.B. 2473 is not a total answer for the classification threat confronting business, it is a small step towards recovery.

I urge you to support H.B. 2473. Thank you.

*3/1/89  
attachment 1*

**KANSAS LEGISLATIVE RESEARCH DEPARTMENT**

**Room 545-N - Statehouse**

**Phone 296-3181**

**February 27, 1989**

**TO: Representative Elizabeth Baker**

**Office No.175-W**

**RE: Comparative Property Valuations in Derby (USD 260)**

The following table has been prepared for you based on the 1988 assessed and the 1989 reappraised values reported by Sedgwick County for the Derby school district. The 1989 values for business machinery and equipment represent a projected two-thirds reduction in the 1988 values; the oil and gas valuation represents a projected 10 percent reduction. The 1988 values for public service corporations and other personal property were held constant for 1989. The 1989 projections for business machinery and equipment, oil and gas, public service corporations, and other personal property are consistent with the way these items will be treated for all school districts when 1989-90 school finance computer printouts are prepared.

The column labeled "1988 adjusted valuation" was based on data provided to the State Department of Education by the county. These data were adjusted to 30 percent using the 1988 Sedgwick County urban and rural assessment ratios. It is important to note that the total USD 260 real estate values reported for this purpose were \$41.6 million, about \$3.0 million more than the data that you provided to me.

The bottom line based upon the following comparison is that, everything else being equal, in 1989 the relative tax burden attributable to real estate will be increased by about 213 percent.

DERBY SCHOOL DISTRICT (USD 259)  
COMPARISON OF 1988 ASSESSED VALUATION WITH ESTIMATED  
1989 ASSESSED VALUATION

<u>Tax District</u>	<u>1988 Assessed Val.</u>	<u>1989 Assessed Val.</u>	<u>Amount of Change</u>	<u>Percent Change</u>	<u>1988 Adjusted Val.</u>
Delano Twp.	\$ 24,039	\$ 28,980	\$ 4,941	20.55	
Gypsum Twp.	913,218	1,273,722	360,504	39.48	
Gypsum Twp.	7,908	8,616	708	8.95	
Gypsum Twp.	95,250	161,952	66,702	70.03	
Gypsum Twp.	11,688	15,540	3,852	32.96	
Gypsum Twp.	263,727	380,802	117,075	44.39	
Kechi Twp.	6,671,994	11,935,620	5,263,626	78.89	
Minneha Twp.	723,288	1,898,640	1,175,352	162.50	
Minneha Twp.	189,981	287,784	97,803	51.48	
Minneha Twp.	337,455	431,394	93,939	27.84	
Minneha Twp.	754,028	1,270,956	516,928	68.56	
Minneha Twp.	3,483	1,860	(1,623)	(46.60)	
Minneha Twp.	15,147	121,380	106,233	701.35	
Minneha Twp.	1,269,208	1,928,839	659,631	51.97	
Minneha Twp.	844,212	1,009,872	165,660	19.62	
Minneha Twp.	3,711	1,110	(2,601)	(70.09)	
Minneha Twp.	4,464,465	6,777,594	2,313,129	51.81	
Minneha Twp.	9,672	120,240	110,568	1,143.18	
Minneha Twp.	164,235	326,490	162,255	98.79	
Minneha Twp.	607,263	950,946	343,683	56.60	
Minneha Twp.	1,353	90	(1,263)	(93.35)	
Minneha Twp.	6,156	3,720	(2,436)	(39.57)	
Minneha Twp.	8,991	2,520	(6,471)	(71.97)	
Minneha Twp.	67,665	287,862	220,197	325.42	
Minneha Twp.	141,861	361,374	219,513	154.74	
Minneha Twp.	7,020	3,240	(3,780)	(53.85)	
Minneha Twp.	3,324	510	(2,814)	(84.66)	
Minneha Twp.	652,497	1,066,800	414,303	63.50	
Minneha Twp.	673,221	854,382	181,161	26.91	
Minneha Twp.	633	330	(303)	(47.87)	
Minneha Twp.	17,997	98,190	80,193	445.59	
Payne Twp	261,186	358,962	97,776	37.44	
Payne Twp	22,710	28,614	5,904	26.00	
Riverside Twp.	44,472	97,866	53,394	120.06	
Riverside Twp.	2,553,294	2,307,210	(246,084)	(9.64)	
Waco Twp	3,561,396	5,815,380	2,253,984	63.29	
Waco Twp	14,952	70,818	55,866	373.64	
Eastborough	4,219,161	6,828,468	2,609,307	61.84	
Kechi	824,913	1,596,954	772,041	93.59	
Wichita	4,066,095	12,176,064	8,109,969	199.45	
Wichita	549,839,979	1,058,449,070	508,609,091	92.50	
Wichita	8,941,680	13,780,218	4,838,538	54.11	
Wichita	14,887,923	27,249,672	12,361,749	83.03	
Wichita	55,193,684	83,567,658	28,373,974	51.41	
Wichita	27,810,304	50,963,106	23,152,802	83.25	
Wichita	200,706	267,792	67,086	33.43	
Wichita	53,301	25,860	(27,441)	(51.48)	

DERBY SCHOOL DISTRICT (USD 260)  
 COMPARISON OF 1988 ASSESSED VALUATION WITH ESTIMATED  
 1989 ASSESSED VALUATION

<u>Tax District</u>	<u>1988 Assessed Val.</u>	<u>1989 Assessed Val.</u>	<u>Amount of Change</u>	<u>Percent Change</u>	<u>1988 Adjusted Val.</u>
Gypsum Twp.	\$ 2,279,512	\$ 4,052,454	\$ 1,772,942	77.78	
Gypsum Twp.	9,600	9,840	240	2.50	
Gypsum Twp.	189,381	305,100	115,719	61.10	
Riverside Twp.	1,163,685	2,898,624	1,734,939	149.09	
Riverside Twp.	1,657,831	4,642,236	2,984,405	180.02	
Riverside Twp.	448,167	1,042,140	593,973	132.53	
Riverside Twp.	6,000	9,750	3,750	62.50	
Rockford Twp.	1,436,274	2,287,320	851,046	59.25	
Rockford Twp.	3,120	2,280	(840)	(26.92)	
Salem Twp.	2,274,777	3,283,338	1,008,561	44.34	
Derby City	22,179,213	35,396,502	13,217,289	59.59	
Derby City	2,691,405	3,627,048	935,643	34.76	
Derby City	1,098,402	2,257,302	1,158,900	105.51	
Derby City	1,319,691	3,251,112	1,931,421	146.35	
Derby City	2,274	1,800	(474)	(20.84)	
Wichita	872,508	1,577,472	704,964	80.80	
Wichita	920,877	1,753,512	832,635	90.42	
Wichita	1,611	152,208	150,597	9,348.04	
<b>SUBTOTAL:</b>	<b>\$ 38,554,328</b>	<b>\$ 66,550,038</b>	<b>\$ 27,995,710</b>	<b>72.61</b>	<b>\$ 173,171,456</b>
<u>Plus</u>					
Inventory	\$ 70,141,666	\$ 0	\$(70,141,666)	(100.00)	\$ 70,141,666
Livestock	34,546	0	(34,546)		34,546
Business Mach. and Equipment	44,947,901	14,864,480	(30,083,421)	(66.93)	44,947,901
Public Service Corps.	5,795,317	5,795,317	0	0.00	5,795,317
Oil and Gas	62,363	56,127	(6,236)	(10.00)	62,363
Other Personal Property	1,573,348	1,573,348	0	0.00	1,573,348
<b>SUBTOTAL:</b>	<b>\$ 122,555,141</b>	<b>\$ 22,289,272</b>	<b>\$(100,265,869)</b>	<b>(81.81)</b>	<b>\$ 122,555,141</b>
<b>TOTAL:</b>	<b>\$ 161,109,469</b>	<b>\$ 88,839,310</b>	<b>\$(72,270,159)</b>	<b>(44.86)</b>	<b>\$ 295,726,597</b>

EXHIBIT:

Real Estate Percent of Total Value	23.93	74.91	58.56
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We hope this information will be helpful to you. If we may be of further assistance, please let us know.

*Ben F. Barrett*  
 Ben F. Barrett  
 Associate Director

BFB/bd

1-4

**KANSAS LEGISLATIVE RESEARCH DEPARTMENT**

**Room 545-N - Statehouse**

**Phone 296-3181**

**February 27, 1989**

**TO: Representative Elizabeth Baker**

**Office No.175-W**

**RE: Comparative Property Valuations in Wichita (USD 259)**

The following table has been prepared for you based on the 1988 assessed and the 1989 reappraised values reported by Sedgwick County for the Wichita school district. The 1989 values for business machinery and equipment represent a projected two-thirds reduction in the 1988 values; the oil and gas valuation represents a projected 10 percent reduction. The 1988 values for public service corporations and other personal property were held constant for 1989. The 1989 projections for business machinery and equipment, oil and gas, public service corporations, and other personal property are consistent with the way these items will be treated for all school districts when 1989-90 school finance computer printouts are prepared.

The column labeled "1988 adjusted valuation" was based on data provided to the State Department of Education by the county. These data were adjusted to 30 percent using the 1988 Sedgwick County urban and rural assessment ratios. It is important to note that the total USD 259 real estate values reported for this purpose were \$712.8 million, about \$0.3 million more than the data that you provided to me.

The bottom line based upon the following comparison is that, everything else being equal, in 1989 the relative tax burden attributable to real estate will be increased by about 40 percent.

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<u>Tax District</u>	<u>1988 Assessed Val.</u>	<u>1989 Assessed Val.</u>	<u>Amount of Change</u>	<u>Percent Change</u>	<u>1988 Adjusted Val.</u>
Wichita	63	0	(63)	(100.00)	
Wichita	83,715	446,796	363,081	433.71	
Wichita	1,494,900	9,811,500	8,316,600	556.33	
Wichita	5,682,825	11,451,882	5,769,057	101.52	
Wichita	9,174	99,840	90,666	988.29	
Wichita	31,995	94,896	62,901	196.60	
Wichita	3,081	660	(2,421)	(78.58)	
Wichita	5,355	3,186	(2,169)	(40.50)	
Wichita	32,412	125,820	93,408	288.19	
Wichita	174	2,016	1,842	1,058.62	
Wichita	6,330	17,304	10,974	173.36	
Wichita	2,322	240	(2,082)	(89.66)	
Wichita	1,122,642	4,679,790	3,557,148	316.86	
Wichita	1,119	570	(549)	(49.06)	
Wichita	204,090	1,024,074	819,984	401.78	
Wichita	6,000	265,374	259,374	4,322.90	
Bel Aire	6,528,039	9,980,904	3,452,865	52.89	
Bel Aire	491,556	882,810	391,254	79.60	
Park City	5,390,757	9,588,432	4,197,675	77.87	
<b>SUBTOTAL:</b>	<b>\$712,546,995</b>	<b>\$1,343,671,161</b>	<b>\$631,124,166</b>	<b>88.57</b>	<b>\$2,812,578,538</b>
Plus					
Inventory	\$136,480,246	\$ 0	\$(136,480,246)	(100.00)	\$ 136,480,246
Livestock	40,033	0	(40,033)		40,033
Business Mach. and Equipment	163,781,737	54,593,858	(109,187,879)	(66.67)	163,781,737
Public Service Corps.	91,283,707	91,283,707	0	0.00	91,283,707
Oil and Gas	324,811	292,330	(32,481)	(10.00)	324,811
Other Personal Property	20,866,012	20,866,012	0	0.00	20,866,012
<b>SUBTOTAL:</b>	<b>\$ 412,776,546</b>	<b>\$ 167,035,907</b>	<b>\$(245,740,639)</b>	<b>(59.53)</b>	<b>\$ 412,776,546</b>
<b>TOTAL:</b>	<b><u>\$1,125,323,541</u></b>	<b><u>\$1,510,707,068</u></b>	<b><u>\$ 385,383,527</u></b>	<b><u>34.25</u></b>	<b><u>\$3,225,355,084</u></b>

EXHIBIT:

Real Estate Percent of Total Value	63.32	88.94	87.20
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We hope this information will be helpful to you. If we may be of further assistance, please let us know.

*Ben F. Barrett*

Ben F. Barrett  
Associate Director

BFB/bd

1-6



KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N -- Statehouse

Phone 296-3181

February 28, 1989

TO: Representative Elizabeth Baker

Office No.175-W

RE: School District General Fund Property Tax Levies

The following comparison responds to the following "what if" question. What would the 1989 school district general fund tax rate be for Derby and Wichita if the same number of dollars levied in 1988 were also levied in 1989? The computations for 1989 are based as the 1989 real property assessment data you provided. In addition the 1989 values for business machinery and equipment represent a projected two-thirds reduction in the 1988 values; the oil and gas valuation represents a projected 10 percent reduction. The 1988 values for public service corporations and other personal property were held constant for 1989. The 1989 data for business machinery and equipment, oil and gas, public service corporations, and other personal property are consistent with the way these items will be treated for all school districts when 1989-90 school finance computer printouts are prepared.

	<u>Derby (USD 260)</u>	<u>Wichita (USD 259)</u>
Amount Levied for USD General Fund in 1988	\$7,504,901	\$89,688,575
1988 USD General Fund Mill Rate	45.83	79.68
Proj. 1989 General Fund Mill Rate if District Levied the Same Number of Dollars as in 1988	84.48	59.37

We hope this information will be helpful to you. Please do not hesitate to contact us if we can be of further service.

*Ben F. Barrett*  
Ben F. Barrett  
Associate Director

BFB/bd

1-7  
1989

Estimated Tax Increases if District Levied the Same Number of Dollars as in 1988.

Derby - 1989 Home Valued -  $\$60,000 \times 12\% = 7200 \times .08448 = \$608.23$

1988 Home Valued -  $\$60,000 \times 8\% = 4800 \times .04583 = \$219.98$

Wichita 1989 Home Valued -  $\$60,000 \times 12\% = 7200 \times .05937 = \$427.46$

1988 Home Valued -  $\$60,000 \times 8\% = 4800 \times .07968 = \$382.46$

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#### Commercial Property

Derby - 1989  $\$250,000 \times 30\% = 75,000 \times .08448 = \$6,336$

1988  $\$250,000 \times 14\% = 35,000 \times .04583 = \$1,604$

Wichita 1989  $\$250,000 \times 30\% = 75,000 \times .05397 = \$4,452.75$

1988  $\$250,000 \times 14\% = 35,000 \times .07968 = \$2,788.80$



TOPEKA

HOUSE OF  
REPRESENTATIVES

MICHAEL TOM SAWYER  
REPRESENTATIVE, NINETY-FIFTH DISTRICT  
SEDGWICK COUNTY  
1116 DAYTON STREET  
WICHITA, KANSAS 67213  
(316) 265-7096

STATE CAPITOL BLDG.  
TOPEKA, KANSAS 66612  
(913) 296-7669

COMMITTEE ASSIGNMENTS  
RANKING MINORITY MEMBER: ELECTIONS  
MEMBER: INSURANCE  
LOCAL GOVERNMENT  
SPECIAL COMMITTEE ON ASSESSMENT  
AND TAXATION

TESTIMONY ON HB 2473 & HB 2319

While I am here today to urge you to pass a property tax circuit breaker for commercial property owners, I have three major concerns with H.B. 2473 as it is now written.

1. The deduction from excess tax provision in section one makes it almost impossible for anyone who had a 100% increase in their commercial property taxes to receive any meaningful refund.
2. The bill does not make the commercial property owner take into account his/her tax break from inventory and equipment. This means that anyone who manages to qualify under the provisions of section one and who also owns inventory will almost surely receive a refund on top of a tax cut.
3. H.B. 2473 provides relief for only one year.

The attached tables comparing H.B. 2319 refunds with H.B. 2473 refunds illustrate my first two concerns.

As I stated earlier, I hope the committee does pass a commercial property tax circuit breaker this year. With the shifts caused by reappraisal and classification many businesses without inventories will receive a huge tax increase this year. It is up to us to provide a transition period to allow businesses to adjust their prices and costs to adapt to the new values.

H.B. 2319 provides transition relief for those businesses that get hit with a tax shock. I urge the committee to pass a bill that provides meaningful relief to those businesses that need it, rather than one that could provide refunds to those already receiving a tax cut.

3/1/89  
Attachment 2

EXAMPLES OF HB 2319 vs. HB 2473 1989 REFUNDS:

1988 TAX RATE = 150 MILLS

1989 TAX RATE = 100 MILLS

- 1) The following examples assume the owner had no inventory or equipment in 1988:

<u>REAL PROPERTY ASSESSED VALUATION</u>		<u>1988 TAXES</u>	<u>1989 TAXES</u>	<u>TOTAL TAX INCREASE</u>	<u>2319 REFUND</u>	<u>2473 REFUND</u>
1988	1989					
\$ 15,000	\$ 60,000	\$ 2,250	\$ 6,000	\$ 3,750	\$1,875	\$675
20,000	60,000	3,000	6,000	3,000	3,000	300
20,000	70,000	3,000	7,000	4,000	2,000	350
25,000	80,000	3,750	8,000	4,250	2,125	25
25,000	100,000	3,750	10,000	6,250	3,125	0
35,000	110,000	5,250	11,000	5,750	2,875	0
50,000	150,000	7,500	15,000	7,500	3,750	0
60,000	200,000	9,000	20,000	11,000	5,000	0
80,000	300,000	12,000	30,000	18,000	5,000	0

- 2) The Following Table illustrates the same examples only now the owner had a \$30,000 inventory in 1988:

<u>REAL PROPERTY ASSESSED VALUATION</u>		<u>1988 TAXES</u>	<u>1989 TAXES</u>	<u>TOTAL TAX INCREASE (DECREASE)</u>	<u>2319 REFUND</u>	<u>2473 REFUND</u>
1988	1989					
\$15,000	\$60,000	\$ 6,750	\$ 6,000	\$ (750)	\$ 0	\$675
20,000	60,000	7,500	6,000	(1,500)	0	300
20,000	70,000	7,500	7,000	(500)	0	350
25,000	80,000	8,250	8,000	(250)	0	25
25,000	100,000	8,250	10,000	1,750	0	0
35,000	110,000	9,750	11,000	1,250	0	0
50,000	150,000	12,000	15,000	3,000	0	0
60,000	200,000	13,500	20,000	6,500	0	0
80,000	300,000	16,500	30,000	13,500	0	0

2.2

March 1, 1989

TO: House Committee on Assessment and Taxation

FROM: Robert L. Burdette, Mulvane

Reappraisal has been a very expensive task placed upon this state due to the time frame that it was to be completed in. However, we all know a job well done must be given the necessary time. Due to the expediency that the 105 counties were placed under and by the direction of the state, it was necessary to use the CAMA (Computer Assisted Mass Appraisal) technique. The technique worked quite well for residential property valued from \$50,000 to \$70,000, because of the quantity of sales transactions that were available to be used as comparables and for building "models" for the computer program.

Once reappraisal moved into the more expensive class of homes, the quantity of sales were not available to build adequate "models." Thence we had taken the first step in building an inequitable reappraisal. Because the time table that reappraisal was on did not allow for adequate research as is stated in KSA 503A, "Fair Market Value," many of the more expensive homes in the state are under-valued by twenty-five to fifty percent.

As legislators have in the past listened to special interest groups, we are faced with a continuing narrowing base for which property tax will be levied, rather than a broadening of the tax base. The narrowing tax base is another inequity of the reappraisal and classification.

Over-valuation was anticipated in reappraisal, and an adequate appeal process was set into motion. This has become an overwhelming task for counties to hear all of the "informal appeals." However,

3/1/89  
attachment 3

with the exorbitant number of appeals where property values were higher than the "fair market value," we can easily assume that we would have a similar number of properties valued under "fair market value." These under-valued properties will not be addressed by any appeals process in 1989. With reappraisal update, twenty-five percent of all properties will be rechecked for market value in each of the next four years. Once the four-year update is complete, hopefully adequate appraisal time will have been given to all properties to arrive at "fair market value."

The overall reappraisal system is quite lengthy with properties first being appraised under reappraisal and then being updated on a four-year cycle. With classification we have twelve percent assessed value on residential and thirty percent on commercial property causing a two and one-half time transfer of under-appraised residential property to commercial. So when classification is inserted into the picture, the funnel effect is directed at small business without sizable inventories. Businesses of this type will see sizable tax shifts of two to six times the taxes levied in 1988. This increase makes it imperative that House Bill 2473 be passed by the House of Representatives and the Senate and signed into law by Governor Hayden.

Thank You.

February 28, 1989

Del Wharton  
Real Estate Broker, Auctioneer and Certified Appraiser with  
WHARTON REALTY AUCTION, INC.  
Belle Plaine, Sumner County, KS

In favor of HB 5013.

Please help all Kansans by opposing HB2319 and HB2473, these two house bills are erroneous aid that will only temporarily relieve a future mushrooming tax burden on business. I do support and ask you to support HB5013 which gives the Kansas law makers until 1991 to take control of the unfair reappraisal and reclassification that was passed into law.

The legislature did not have time or experience to set up reappraisal fairly for all Kansans. I feel that if you, the law makers, will support HB5013, we have a better chance at a just and fair tax for all whether they are a residential home owner, farmer or businessman.

I am a Kansan. I own farm ground. I own a business. I am for reappraisal if it is fair to all Kansans. If a person owns a \$100,000 home, a \$100,000 farm and a \$100,000 business, he should pay the same dollar amount of taxes because each are valued equally.

By this State Government removing large manufacturing inventories and equipment taxes and the same State Government allowing farmers to have no personal property taxes on equipment and no sales tax on their new equipment purchases, you are trying to pass the tax dollars needed off onto the real estate owned by businesses. As a small business owner I cannot, and I repeat, I cannot pay taxes for large corporations or farmers. I believe farmers are in a business also, but they will be paying less while I am paying 30 percent of appraised value on commercial property because I am in business.

I realize that by giving large manufacturing companies a tax break on their inventories, that it may encourage more businesses to come to Kansas. But I do not, personally, intend to stand there and give them a check when they cross the line through taxation.

I do not believe you should have classification and reappraisal in the same paragraph on any law books. All taxes should be fair no matter what kind of property owned. I do not want to pay 30 percent for my business and get a tax break on the farm. I will pay my share of taxes owed if possible. I will not pay an unfair tax while giving some other party a tax break.

If you tax businesses at 30%, it will kill main street's business, which will bring the value of residential property down

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Attachment 4

because the majority of businesses will begin to close throughout the state with the exception of the top 10 cities. When you lose enough businesses in a town, the town starts to waste away.

Most Kansans major investments are in their homes, when their homes lose value because the town is dying do to the lack of commercial business, the home owner is losing money when they sell their property.

When tax reappraisal started, no one knew for sure what was ahead of us. Now that the legislature has had time to see the effect of reappraisal shouldn't they take the time to make the proper decisions.

The bottom line is please help all Kansans by having a fair real estate tax. Don't tax the small business owners out of business. Will you please correct the law that is on the books now before the tax law closes the doors on small business?

May God bless each and everyone of you here today, and the decision you make here.

Thank you for your time.

A handwritten signature in cursive script, reading "Del Wharton". The signature is written in dark ink and is positioned above the printed name.

Del Wharton





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## CONCLUSIONS ON THE RE-APPRAISAL AND CLASSIFICATION AMENDMENT

I appreciate the opportunity to comment on the above subject. My name is Jim Minson and I am a Realtor, Builder and Developer from Derby. The above constitutional amendment will place more of a burden on the small business owner and commercial property owner who are already bogged down with red tape and taxes.

One main concern is the effect of this legislation on the small business on Main Street which is now struggling to make a profit and stay in business. The loss of more small businesses in the smaller cities will create more empty buildings which in turn will send more buildings into foreclosure and put more people on the unemployment rolls.

Commercial properties without an inventory deduction will have taxes that are prohibitive and in most cases cannot be passed along to a tenant. If the tax increases of 30% of value are passed on to a tenant, it may mean that it could drive that tenant to a cheaper location or out of business.

An example is a building that I have part ownership of that will almost triple in taxes this year. The building was assessed at \$247,200.00 and at the present time is on the market for sale for \$185,000.00 with no takers. If buildings such as this are taxed at the 30% level, then it may force the owner to either accept the large losses or let the building go into delinquency if the indebtedness cannot be met. Even if buildings are appraised at a fair and accurate value (the key word is accurate - I've been through one of my hearings already), the taxes on the properties will still more than double.

As a land developer, I can see that if we are forced to pay the increased taxes on lots that are held for sale, then only the very rich will be able to develop

*3/1/89  
attachment 5*

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# KANSAS COUNTY APPRAISERS ASSOCIATION

Good Morning Ladies and Gentlemen!

My name is Gary Post I am presently employed in Ford County Kansas as the County Appraiser and I am currently serving as President of The Kansas County Appraisers Association.

We realize that there is a great deal of concern regarding the taxes that commercial property owners may be liable for in November of this year, and either one of these bills before you would provide the people who by and large tend to be the movers and shakers in the community regardless of its size with a safety net against the unknown.

If I may take a moment of our valuable time to provide but two possible examples of possible taxes in Ford County.

### First a motel/no restaurant

Year	1967	1989
Market value	83800	455000
Assessed value	25140	136500
Real Estate Tax	\$4106	\$15015est
Personal P. Tax	\$1225	\$490est
<b>Total Ad Valorem tax</b>	<b>\$5331</b>	<b>\$15505est</b>

### Second A small manufacturer

Year	1967	1989
Market value	199655	469600
Assessed value	59595	140880
Real Estate Tax	\$9783	\$15500est
Personal P. Tax	\$59595	\$12990est
<b>Total Ad Valorem Tax</b>	<b>\$69378</b>	<b>\$28490est</b>

Professional  
Designation



Certified  
Kansas Appraiser

Affiliation



International Association  
of Assessing Officers



Kansas  
Association  
of Counties

Affiliation



North Central  
Regional Association  
of Assessing Officers

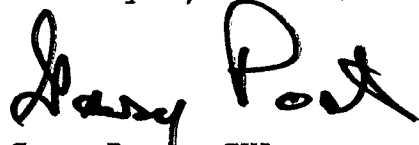
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Page two

These numbers would indicate that any property tax relief that you would provide to certain owners of commercial real estate should probably also consider the personal property taxes of those same certain owners of commercial real estate.

This will conclude my prepared remarks. I would be most happy to attempt to answer any questions that any Committee Members may have.

Thank you, and have a good day!

A handwritten signature in black ink that reads "Gary Post". The signature is written in a cursive style with a large, prominent "P" and "S".

Gary Post, CKA  
President,  
Kansas County  
Appraisers Association

# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the  
Kansas State Chamber  
of Commerce,  
Associated Industries  
of Kansas,  
Kansas Retail Council

HB 2319 and HB 2473

March 1, 1989

### KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Taxation Committee

by

Gerhard Metz, J.D.  
Director of Taxation

Good morning Mr. Chairman and members of the committee. I am Gerhard Metz, representing the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to testify on House Bills 2319 and 2473, and to express KCCI's support for the concept embodied in these bills.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

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As we all know, there has been speculation as to the effects that statewide reappraisal and classification may have on real property owners across the state. KCCI was and remains supportive of the constitutional change implementing reappraisal of real property, accompanied by the implementation of a system of classification. The results of reappraisal of remain uncertain as to details, but it is the position of our association that the new values arrived at through the reappraisal effort are necessary to effect a fair and equitable assessment of real property taxes.

The bills before you this morning address an area of concern to many owners of commercial real estate. These property owners, uncertain over the eventual levies to be imposed on the basis of the reappraised values, have expressed concern over possible tax increases.

No one knows, yet, where the mill levies will be pegged in November. There may well be no substance to the fears that some property owners across the state are expressing now. If, however, commercial property taxes should increase substantially as a result of reappraised valued, the "circuit breaker" approach, already adopted for certain residential property owners, represents a moderate and reasoned response to possible problems.

Because KCCI believes that it is far too early in the game to know whether any significant increase in commercial property taxes will occur, it is our recommendation that nothing can be done to impede the orderly progress of establishing new values, hearing taxpayers' appeals, and arriving at the mill levies necessary to carry on government services.

Rather, KCCI would prefer that if the committee finds it necessary to address the perceived problems prospectively, that it adopt legislation like HB 2473 or HB 2319.

Of the two bills, we believe that HB 2473 represents the better approach, by providing for a graduated scale of refunds based upon total assessed value and a combination of set-dollar and percentage deductions from taxes in excess of 100% of the 1988 assessment. ~~HB 2473 also would limit application of the "circuit breaker" to one year, after which~~ time enough information should be available based upon data from taxpayers to make

whatever structural changes may be necessary to ensure an equitable working of the property taxation process.

Thank you once again for the opportunity to speak to you this morning. I would be happy to stand for any questions.



Executive Offices:  
3644 S. W. Burlingame Road  
Topeka, Kansas 66611  
Telephone 913/267-3610

TO: THE HOUSE TAXATION COMMITTEE  
FROM: KAREN MCCLAIN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS  
DATE: MARCH 1, 1989  
SUBJECT: HB 2437 AND HB 2319

On behalf of the Kansas Association of REALTORS®, I appear today to support you in your efforts to try to come up with a solution to the problems being faced by property owners as a result of the classification amendment.

I can only hope that you, as members of this tax committee, have received as many phone calls from across this state as I have from troubled property owners, particularly from small business men and women who are very upset about their tax bills. Several of them have been near tears.

Our association is a member of the Kansans Reappraising Classification (KRC) coalition. The KRC is a broad-based group of business leaders, community volunteers, and organizations which supports the recently completed reappraisal of Kansas real estate. We are concerned that the impact of the classification amendment on small and non-inventoried businesses will be devastating to the Mainstreet economies of Kansas.

As you have probably seen from the change of value notices in your county, the property taxes for these businesses, which make up a large part of the Kansas economy, are projected to double, and, for some businesses, to triple or more. Retail shops and office building tenants will be faced with drastically higher rental payments. We are concerned for the future of our cities. A tax

*3/1/89*  
*Attachment 8*

increase such as this encourages business lay-offs, causes increased cost of services and products and will probably force many small businesses to close down or move.

In many areas of this state, commercial properties were built in the late 70's and very early 80's. These properties barely survived the devastating economic crisis of the mid-80's, the economy finally turned around in the mid-80's and more expansion was made in the area of commercial properties and then the tax reform act of '86 was passed taking 50 BILLION DOLLARS OF TAX DEDUCTIONS FROM COMMERCIAL REAL ESTATE.

Many properties have been hanging on by a thread--NOW IF WE ALLOW THIS CLASSIFICATION AMENDMENT TO BE IMPLEMENTED, we will have nailed the coffin lid on many those properties across this state. Those owners will be forced to hand the properties back to the mortgage holders on these properties!

We have crisscrossed this state over the past few days, we wish the members of this committee could have been with us to hear the comments, not so much from anger as of fear of what is becoming a reality of the taxes that the property owners on Mainstreet Kansas will be faced with in November as more and more facts are surfacing.

In those areas that do not have a large commercial tax base, have a large agriculture tax base including livestock, must look to the homeowners to make up the tax difference.

We have talked to County Commissioners that, after looking over the reappraisal figures, have come to the conclusion that there will be less values to tax after reappraisal than they had prior to the classification amendment. TAXES IN THOSE AREAS WILL SKYROCKET. We say that cannot be! In some areas, and not western Kansas, when you take 1.6 million head of livestock out of the values it can be!

It is too bad that time will not allow the legislators to take a week and hold town hall meetings and listen to what is going on in their communities.

8-2



When businesses lay off existing workers, unemployment climbs. When no jobs are created by either existing or new businesses, the job market becomes stagnant.

Why is the Kansas Association of REALTORS® so concerned with this business community? Some may think that the amendment protects homeowners, but the amendment does not protect homeowners. In fact the values of homes in Kansas are in serious jeopardy under this amendment. Where there is high unemployment in a community, homes become unmarketable and therefore less valuable. Stated another way, if there is no one who can afford to buy homes there is no market, therefore home values drop. Unemployed people cannot pay their mortgages. Not only do businesses suffer under this classification amendment, homeowners also stand to lose.

The proposals here before you attempt to handle these problems. However, as you have heard today or will hear after me, these proposed solutions do not completely fill the gap. We sat down and tried to run through model tax problems to see what kind of relief will be delivered.

There are many businesses who will see increases of only, say 80% or even 90%--with tax increases of thousands of dollars. Yet, because both bills have a threshold of a 100% increase, they will get no relief. In addition, there are many small businesses who will be unable to collect a refund under HB 2437 because their assessed value is too high--they will be presumed too "wealthy" to need relief.

The opening language in both bills appears to say that a commercial property owner only qualifies for a refund if all of the property taxes on their commercial property increases by 100% between tax year 1988 and 1989. Does this mean a taxpayer who owns several commercial properties will be required to have a 100% increase on the "net" compilation of their tax bills--even though specific properties may increase by 200 or 300 percent? If so, these bills do not go very far in helping these small, non-inventoried businesses.

A major problem with this circuit breaker type of legislation is we don't even know what the circuit is we are breaking or who we are breaking it for. Without the complete reappraised values in front of us, we cannot begin to draw the lines for any kind of tax relief.

In addition, a question which needs to be addressed is, what happens after the refunds are gone? Many of the Mainstreet businesses in communities across the state cannot afford these kinds of tax increases, period. Whether the doubling or tripling of taxes comes in one year or the next, some businesses will never be able to recoup the tax. They cannot raise their prices any higher and still be able to compete with, for instance, a neighboring Wal-Mart. These circuit breakers eventually leave small businesses to pay these increased tax bills. We only hope they will be around to collect their rebates.

As you are aware by now, there are thousands of taxpayers going through the tax appeals process. That process won't be complete for some time. The Kansas Association of REALTORS® asks that, instead of trying to put a bandaid on this growing cancer, which may do little or no good and will probably be very expensive for the state, you consider the option of delaying the application of the reappraisal and the implementation of the classification amendment until 1991.

The 1991 deadline would give county appraisers and taxpayers time to complete the appeals process. Then in the 1990 session, we could sit down and look for a solution that will not have the negative impact upon this very important sector of <sup>the economy</sup> property called small business that the current system is inflicting. One of the major problems of this classification amendment was that it was written and voted upon before reappraisal was completed and the facts available. The truly harmful effects are just now becoming clear. We believe that our state's economy is important enough to warrant careful study of the effects of reappraisal before major tax policy is made. By constitutionally

delaying the implementation of both classification and reappraisal, legislators and voters get a second chance.

Once again, we acknowledge you for recognizing that we have a serious problem before us. You would not be holding hearings on these bills if you did not recognize this. However, we ask that before you take any actions which attempt to put a quick fix on this problem, you seriously consider the option of a constitutional moratorium which is found in HCR 5013 and which we hope will be before this committee for a hearing on this issue in the very near future.

Thank you.

HB 2319 + HB 2473

As a father, home owner, and small business owner, I represent five generations of my family who have lived here in the great state of Kansas. I will not turn my head and let our government take away the incentive to make one's life better. To me this would be un-American.

Being aware of the poor economy in southeast Kansas, I knew if I was to go into business, I could not survive being deep in debt to the bank. With a lot of hard work, sacrifices, and a small amount of money borrowed from the bank, I built my own restaurant. When I say I built my own restaurant I mean I dug the footings and poured the concrete by hand. I even put shingles on the roof after working all day by using the light from a flashlight. Some days I was so sore I was unable to tie my shoes, but I accomplished my goals. Our restaurant was built relatively debt-free.

I am concerned of the effect reappraisal will have on my home and small business. It is a well

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Attachment 9

Known fact that small businesses will bear the brunt of the tax burden. I am not alone in this concern. That is why businesses in my home town have closed their doors in protest.

During this week I have received calls from people in Cherryvale, Independence, and Coffeyville about this problem. It rips my heart out to hear a lady crying on the other end of the phone because the tax burden now placed on her home is not even close to her family's budget.

I find it harder to believe that as poor as the economy is, some businesses in my area will be forced to close because of the extra tax burden. If reappraisal puts one man and his family out of business or an elderly person on a fixed income out of his home, then the price is too high.

Ritchie L. Stanley  
Cherryvale KS 62335  
Ph 316-336-3625

9/8

MY NAME IS JOHN HENDRICKS, AND I AM THE CONTROLLER FOR SIRLOIN  
STOCKADE RESTAURANTS.

I AM HERE TODAY REPRESENTING THREE ORGANIZATIONS, KANSANS RE-  
APPRAISING CLASSIFICATION, THE KANSAS RESTAURANT ASSOCIATION AND  
SIRLOIN STOCKADE.

OUR ORGANIZATIONS ARE VERY CONCERNED ABOUT THE IMPACT CLASSIFICATION  
OF PROPERTY WILL HAVE ON MAIN STREET KANSAS. AS BUSINESSMEN, WE ARE  
ENTITLED TO MAKE A FAIR PROFIT. IN ORDER FOR US TO CONTINUE MAKING  
THESE PROFITS, WE WILL HAVE ONLY TWO ALTERNATIVES, 1-BEING THE INCREASE  
OF PRICES AND 2-THE LAYOFFS OF EMPLOYEES. NEITHER OF THESE SOLUTIONS  
ARE AN ANSWER TO THE PROBLEM. WITHIN OUR BUSINESS ORGANIZATION, WE  
HAVE RECEIVED TAX NOTICES ON FIVE OF OUR PROPERTIES. WE ARE PROJECTING  
A TAX INCREASE OF 113%, BASED UPON THE PROJECTED MILL LEVY AS RELEASED  
BY THE KANSAS STATE DEPARTMENT OF EDUCATION. THIS AMOUNTS TO AN INCREASE  
OF \$65,000.

WE ARE HERE TODAY TO ADDRESS THE PROS AND CONS OF HOUSE BILL  
2319 AND HOUSE BILL 2473. WE DO NOT FEEL THAT EITHER OF THESE BILLS  
WILL PROVIDE THE SOLUTION WHICH IS NECESSARY. OUR PROPERTIES AND  
THE EFFECT OF CLASSIFICATION IS AS FOLLOWS:

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Attachment 10

10-8

<u>LOCATION</u>	<u>PROJECTED TAXES</u>	<u>1988 TAXES</u>	<u>PERCENT INCREASE</u>	<u>REFUND BILL 2319</u>	<u>REFUND 2473</u>
MCPHERSON CO.	64,085	38,415	66.8%	0	0
LYON CO.	11,140	4,835	130.4%	3,153	730
SALINE CO.	8,765	3,089	183.7%	2,838	0
HARVEY CO.	18,804	5,482	243.0%	5,000	0
FRANKLIN CO.	19,636	5,683	245.5%	5,000	0

IF HOUSE BILL 2319 WERE TO BECOME LAW, WE WOULD STILL HAVE A TAX INCREASE OF 85.1%. UNDER HOUSE BILL 2473, THE TAX INCREASE WOULD BE 111.6%. HOUSE BILL 2473 IS NOT A VIABLE SOLUTION SINCE IT IS OVIOUSLY TARGETED TO HELP ONLY THE "VERY SMALL BUSINESS OWNER". THE REBATE CONCEPT APPEARS TO BE FISCALLY EXPENSIVE. IF ONLY 100,000 BUSINESSES RECEIVE A REBATE OF \$500, IT IT POSSIBLE TO REFUND OVER \$50,000,000 FROM THE STATE TREASURY. THIS WILL ONLY CAUSE A SHIFT IN THE SOURCES OF REVENUE, MOST LIKELY TO THE CORPORATE INCOME TAX.

WHAT TYPE OF REACTION WILL EACH OF YOU RECEIVE BACK HOME, WHEN YOU ARE FACED WITH RAISING TAXES TO REPLENISH THE STATE COFFERS DUE TO THE REAL ESTATE TAX REFUND, WHICH WILL BE FOLLOWED BY A TAX INCREASE TO FUND THE CONSTRUCTION OF A NEW PRISON. THESE TAX INCREASES COME AFTER THE LEGISLATION WAS PASSED GIVING A \$69,000,000 TAX CUT.

WE DO NOT ADVOCATE THE TAXATION OF INVENTORIES, NOR DO WE HAVE ANY QUALMS WITH THE RE-APPRAISAL. WE ONLY FEEL THAT THE TAXES SHOULD NOT SHIFT TO ONE TAX PAYING GROUP.



IT IS OUR OPINION AND BELIEF THAT THE ONLY PRACTICAL SOLUTION  
TO THIS PROBLEM IS A FULL MORATORIUM ON THE IMPLEMENTATION OF  
CLASSIFICATION. WE CAN THEN SEE THE ACCURATE DATA PROVIDED BY  
RE-APPRAISAL, AND WORK TO AN EQUITABLE SOLUTION USING REAL NUMBERS.

LETS NOT MAKE THE SAME MISTAKE MADE IN 1986.



THORMAN & WRIGHT MOTEL CORPORATION  
Motel Owners & Managers



9th Hwy. 24 - P.O. Box 186  
Clay Center, KS 67432  
(913) 632-3008

Eldon Thorman, P.R.  
Phone: 913-632-3008

Ronald Wright, V.P.  
Phone: 316-343-3424

TESTIMONY CONCERNING HB 2437 AND HB 2319

---

I AM ELDON THORMAN, PRESIDENT OF THORMAN AND WRIGHT MOTEL CORPORATION. I APPRECIATE THE OPPORTUNITY TO TESTIFY HERE BEFORE YOU. I AM REPRESENTING COMMERCIAL PROPERTY OWNERS AND I AM VERY CONCERNED ABOUT THE TERRIFIC SHIFT OF TAXES TO ALL COMMERCIAL PROPERTY OWNERS ACROSS THE STATE.

TODAY I MET WITH MY ACCOUNTANT SONNY REDDING IN CHARGE OF THE FARM BUREAU ACCOUNTING DEPARTMENT FOR THE KANSAS FARM BUREAU. HE HANDLES ALL OUR ACCOUNTING AND HAS FOR 12 YEARS. HE STATED TO ME THAT IF THESE TAXES CONTINUE AS THEY ARE COMING OUT NOW, 20% OF HIS CUSTOMERS WOULD NOT BE HERE NEXT YEAR.

TODAY I LOOKED UP IN A DICTIONARY WHAT THE DEFINITION OF APPRAISAL IS AND IT REFERRED TO "AN ESTIMATE OF VALUE". IT WENT ON TO SAY THAT AN ESTIMATE OF VALUE NOT BASED UPON FACTS AND GOOD JUDGMENT MAY BE WORTHLESS AND IN MANY CASES DETRIMENTAL. WELL, LADIES AND GENTLEMEN, WHAT WE HAVE IS ESTIMATES OF VALUES WHICH ARE TO THE DETRIMENT OF SMALL BUSINESSES LIKE MYSELF.

WE ARE GLAD TO SEE THE CIRCUIT BREAKER BILLS LIKE THESE INTRODUCED, BECAUSE IT MEANS THAT YOU ARE AWARE THAT BUSINESSES LIKE MYSELF WILL HAVE PROBLEMS IF THIS CLASSIFICATION AMENDMENT GOES THROUGH LIKE IT IS SET UP TO NOW. THE CIRCUIT BREAKER CONCEPTS WHICH ARE PRESENTED IN THESE TWO BILLS, WHILE WELL INTENDED, WILL NOT HELP THE BUSINESSES LIKE MYSELF.

THEY ATTEMPT A QUICK FIX TO A VERY SERIOUS AND LONG TERM PROBLEM. KANSANS CANNOT AFFORD TO STAND STILL AND LET THIS KIND OF TAX INCREASE TAKE ITS TOLL ON OUR ECONOMY.

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Attachment 11

WE ARE HOPING FOR A SOLUTION FROM YOU LEGISLATORS IN ORDER TO STOP THIS FROM HAPPENING TO US. HOWEVER, IF WE ARE UNSUCCESSFUL, WE WILL BE FORCED TO GO TO THE KANSAS SUPREME COURT WITH A CLASS ACTION SUIT AND ASK FOR RELIEF FROM TAXES.

IT HAS BEEN SAID TO ME THAT THE VOTERS OF THIS STATE APPROVED THIS CLASSIFICATION AMENDMENT AND SO WE MUST LIVE WITH IT. IT APPEARS THE CITIZENS WERE MISLED ON THIS WHOLE ISSUE AND WHEN THE CITIZENS FIND OUT, THEY WILL BE SEEKING ANSWERS FROM THE LEGISLATORS WHO SOLD THIS TO THEM.

THOSE OF US BUSINESSMEN WHO WENT TO TOWN AND BUILT OUR OWN BUSINESSES HAVE BEEN CONTRIBUTING TO THE KANSAS ECONOMY BY HIRING PEOPLE--I EMPLOY 400 PEOPLE--, PAYING OUR BILLS AND PAYING OUR TAXES. WE HAVE DONE THIS WITHOUT THE BENEFITS OF THE IRB'S AND THE TAX EXEMPTIONS THAT THESE NEW BIG BUSINESSES ARE GETTING.

NOW, SOMEHOW WE GET TO BE PENALIZED WITH ADDED TAXES BECAUSE, WE ARE TOLD, WE HAVE NOT BEEN PAYING OUR FAIR SHARE. IF THE KIND OF TAXES WHICH ARE BEING SHIFTED ONTO US IS "OUR FAIR SHARE", THEN THERE IS SOMETHING SERIOUSLY WRONG WITH THE SYSTEM. IT IS THE SYSTEM WHICH NEEDS TO BE CHANGED HERE, LADIES AND GENTLEMAN, PLEASE DON'T TRY TO PUT A SMALL BANDAGE ON THIS GROWING CANCER.

WE HAD BETTER ALL TAKE A SECOND LOOK AT THIS AMENDMENT WHICH HAS BEEN PASSED--BOTH YOU LEGISLATORS AND THE CITIZENS OF KANSAS. THE BETTER SOLUTION IS TO PREVENT THIS AMENDMENT FROM GOING INTO EFFECT AS IT STANDS NOW. LET'S STOP IT IN ITS TRACKS, TAKE A LOOK AT THE FINAL FIGURES THAT WILL COME AFTER ALL OF THE APPEALS FROM REAPPRAISAL AND SEE IF WE CAN'T COME UP WITH A SOLUTION WHICH WILL WORK FOR EVERYONE.

11-2

I HAVE ATTACHED TO MY TESTIMONY A LIST OF MY PROPERTY TAXES AND IT DEMONSTRATES HOW EACH OF THESE BILLS WOULD EFFECT ME. AS YOU CAN SEE, UNDER HB 2473, I WILL NOT GET ANY RELIEF. UNDER HB 2319, I WILL GET \$17,000 OF RELIEF FROM MY \$180,000 WORTH OF INCREASED TAXES. I HOPE YOU HAVE FOUND MY INFORMATION HELPFUL.

11-3

LOCATION	PROJECTED TAX	1988 TAX	\$ INCREASE	% INCREASE	REFUND HB 2319	REFUND HB 2473
Best Western Abilene	\$24,600	\$14,500	\$10,100	41%	-0-	-0-
Red Coach Newton	\$56,820	\$27,878	\$28,942	103%	\$5,000	-0-
J-Hawk Greensburg	\$6,534	\$3,937	\$2,597	65%	-0-	-0-
Red Coach Emporia	\$48,182	\$22,349	\$25,833	115%	\$5,000	-0-
Copa Vila Emporia	\$26,913	\$7,487	\$19,426	259%	\$5,000	-0-
Red Coach Salina	\$78,120	\$42,000	\$36,120	86%	-0-	-0-
Red Coach McPherson	\$66,150	\$36,000	\$30,150	84%	-0-	-0-
Red Coach Wichita	\$66,400	\$45,000	\$21,400	46%	-0-	-0-
Truck Stop Emporia	\$9,681	\$4,171	\$5,510	132%	\$2,755	-0-
TOTALS	\$383,400	\$203,322	\$180,078		\$17,755	-0-

11-4

STATE OF KANSAS

CAROL H. SADER  
 REPRESENTATIVE, TWENTY-SECOND DISTRICT  
 JOHNSON COUNTY  
 8612 LINDEN DR.  
 SHAWNEE MISSION, KANSAS 66207  
 (913) 341-9440



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 RANKING MINORITY MEMBER:  
 PENSIONS, INVESTMENTS AND BENEFITS  
 MEMBER: ECONOMIC DEVELOPMENT  
 ELECTIONS  
 PUBLIC HEALTH AND WELFARE  
 JOINT COMMITTEE ON ECONOMIC  
 DEVELOPMENT

In re Testimony on HB 2319  
 House Taxation Committee  
 March 1, 1989

The following data was phoned in by a commercial real estate owner in Johnson County on February 28, 1989:

Property	Assessed Value 1988	Assessed Value 1989	Tax 1988	Tax 1989
Strip Shopping Center	\$257,000	\$1,713,900	\$49,000	\$130,000
Building	\$ 55,800	\$ 268,320	\$ 8,700	\$ 20,300
Vacant lot	\$ 28,560	\$1,450,750	\$ 7,200	\$110,000
Parking Lot (3.6 acres)	\$28,540	\$ 209,210		

*3/1/89  
 Attachment 12*



## WICHITA INDEPENDENT BUSINESS ASSOCIATION

Riverview Plaza • Bldg. 200 • Suite 5 • 2604 W. 9th St. at McLean Blvd. • Wichita, Kansas 67203  
(316) 943-2565

February 27, 1989

STATEMENT TO: Kansas House Committee on Assessment and Taxation  
SUBJECT: House Bills 2473 and 2319  
FROM: Roland Smith, Executive Director  
Wichita Independent Business Association

I am sorry I am unable to appear in person at your public hearing Wednesday morning, March 1, 1989. WIBA feels it is important to let the committee know WIBA's position in this matter.

WIBA opposed classification, but supported both reappraisal and the removal of the inventory tax. The compromise made, to get the issue on the ballot as a constitutional amendment, was a mistake. The public and small business did not understand what they were voting for when it was passed. The severe repercussions from classification to small businesses are beginning to surface and we believe the proper legislation would be to postpone the implementation of classification for two years, but complete the reappraisal and get all the kinks and inequities removed. Until all the facts are known, we are operating in the dark. WIBA realizes this would mean a special election this fall, but it would be money well spent to keep many small businesses from going under which may happen if this is not done.

The bills under consideration are circuit breakers and have merit in their intent. We do not know how well the percentages will apply in these bills to WIBA members and other small businesses or the fiscal impact to the state. I am sure large businesses with large inventories will bring pressure to bear on you not to delay the implementation of the inventory tax exemption as they have their budgets already made, etc. They can better afford the cost of the delay than the small business can stand the implementation of classification as it now stand. 88.7% of all Kansas businesses have 20 or less employees and this will have a detrimental and unfair effect on them if classification is not postponed and studied more thoroughly and revised as needed. These are the businesses and people most affected by classification as it is in the constitutional amendment.

The bills under consideration or modified ones may need to be passed if the legislature will not consider a special election to delay classification. The public and business outcry that we are hearing convinces us they will vote for the delay if they have the opportunity.

These bills under consideration are well intentioned and the sponsors are rising to the occasion and their efforts are appreciated. WIBA will support some type of circuit breaker legislation if legislation on a public vote for the delay is not possible in this session.

Please consider amending one of these bills to allow for a vote on delaying the implementation of reappraisal and classification for two years and if that does not pass then reconsider the circuit breaker approach with further study on how the percentages apply to determine if they give adequate relief where it is most needed.

Thank you for taking time to read this statement and considering our concerns on this subject.

*3/1/89  
Attachment 13*